



**Vavrinek, Trine, Day & Co., LLP**

Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

March 4, 2005

Board of Supervisors  
County of San Bernardino  
San Bernardino, CA

Ladies and Gentlemen:

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004 and have issued our report thereon dated March 4, 2005. In planning and performing our audit, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion that the County has complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

#### **HOME INVESTMENT PARTNERSHIPS PROGRAM, CFDA NO. 14.239**

#### **SPECIAL TESTS AND PROVISIONS - HOUSING QUALITY STANDARDS**

##### **OBSERVATION:**

The Code of Federal Regulation (CFR) No. 24 sections 92.251, 92.252 and 92.504 require that during the period of affordability for HOME assisted rental housing, participating jurisdictions must perform on-site inspections to determine compliance with property standards and verify information submitted by the owners no less than: (a) every three years for projects containing 1 to 4 units, (b) every two years for projects containing 5 to 25, and (c) every year for projects containing 26 or more units.

Through review of project files for on-site inspection documentation, it was noted that timely inspections were not performed for 10 of 25 projects selected for testing. The on-site inspections for the ten projects were noted to be several months past due ranging from seven to nine months past due.

#### **RECOMMENDATION:**

Although the County scheduled inspections during the anniversary year, we recommend that the County implement procedures that would provide closer monitoring of timelines consistent with the anniversary date of when the project became affordable for the required periodic inspections.

#### **COUNTY'S RESPONSE**

We concur. County ECD has implemented procedures that provide monitoring and the required periodic inspections of HOME funded projects consistent with the anniversary date of when the project became affordable.

### **WORKFORCE INVESTMENT ACT CLUSTER**

#### **ELIGIBILITY**

#### **OBSERVATION:**

While performing testing over the internal controls over eligibility determinations of program participants, it was noted that the department policies identify various internal controls to document eligibility determinations. However, it was noted that the internal controls were not consistently applied. One such control subject to this circumstance was the review of eligibility determinations and State Applications by the program supervisor. The represented procedure was that each State application is reviewed, evidenced by a supervisor's signature. However, during our testing, it was noted that supervisor's signature and/or the signature page was missing in some cases. As a result, the risk of noncompliance with eligibility requirements is increased.

#### **RECOMMENDATION:**

Given that policies and procedures exist, we recommend that the department ensure caseworkers and program supervisors adhere to these standards. Accountability for compliance with the department's policies and procedures should be maintained and enforced.

#### **COUNTY'S RESPONSE**

We concur. The Department has instructed staff at the both the supervisory and case management levels to adhere to the department's existing policies and procedures that require a supervisor to sign each application after review as evidence that compliance with the eligibility requirements of the grant program have been met.

### **WORKFORCE INVESTMENT ACT CLUSTER**

#### **CASH MANAGEMENT**

#### **OBSERVATION:**

While performing testing over the internal controls over cash management it was noted the same employee both prepares and submits the State grant draw down request. This resulted in a segregation of duties conflict over the cash management process and increase risk to misstatement of draw down reports.

#### **RECOMMENDATION:**

We recommend preparation and submittal functions over the drawdown request should be performed by different staff to ensure no one person has complete control over the draw down process.

## COUNTY'S RESPONSE

We concur. The Department has reassigned the responsibility for performing the State draw to a separate staff person from the person who is responsible for preparing the State drawn down request. Prior to the State draw down action, the request is reviewed and authorized by signature of the Administrative Supervisor.

### **FOOD STAMPS CLUSTER, TEMPORARY ASSISTANCE FOR NEEDY FAMILIES ALLOWABLE COSTS**

## OBSERVATION

The Fiscal year 2004 grant agreement with the State of California requires the County to submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement. The CEC is used by the County to allocate payroll expenditures to various Federal programs within the County's Health Services System (HSS) Department. Payroll hours incurred for specific programs are charged directly to the respective program. However, administrative payroll hours (sick leave, etc) are pooled and allocated to the Federal programs on the basis of direct hours incurred.

The County submits the CEC for program administrative costs to the State of California on a quarterly basis for reimbursement. Caseworkers complete time study forms, which are compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. During our internal control testwork, we noted instances whereby the employee's leave-time reported on the Time and Labor Report (TLR) did not agree to the quarterly time study summary reports. The TLR is completed and signed by the employee and reviewed and signed by a supervisor each pay period. As a result of these discrepancies, the ratios used to allocate payroll expenditures to the various Federal programs on the CEC may be inaccurate. Specifically, there are costs that should have been included in the administrative cost pool for allocation but instead were directly applied to Federal programs. The amount of the overall discrepancy to each Federal program is immaterial.

## RECOMMENDATION

We recommend that the County review the current preparation process for the quarterly time summary reports and implement formal reconciliation and review procedures of the TLR and the time study reports in order to ensure the accuracy of the time study summary reports. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

## COUNTY'S RESPONSE

We concur. HSS Management has put measures in place to reduce time study errors. The following measures have been taken:

1. HSS has enhanced the Eligibility Time Study application by adding more options for recording non-allocable time to allow for detailed reports which management can use to monitor staff adherence to Time Study instructions.
2. Staff has received instructions emphasizing the importance and effect of the time study on the expense claim and funding.
3. Supervisors have received additional training in the review of time studies.
4. The HSS Administrative Support Division/Auditing Unit conducts sample reviews of time studies on a quarterly basis and reports results to management for corrective action.

HSS executive management meets with supervisors and/or their staff who continue to have errors on their time studies.

## **PRIOR YEAR MANAGEMENT LETTER COMMENTS**

### **HEAD START, CFDA NO. 93.600 CASH MANAGEMENT**

#### **OBSERVATION**

It was noted during testing that federal funds drawn down were used to cover costs reimbursable by the State of California for a similar program. Under the OMB, A-133 compliance requirements, the recipient of federal funds must utilize procedures that prevent the short-term borrowing of proceeds by other programs. Although, these amounts were immaterial in nature, the existence of this condition increases the risk of noncompliance with the A-133 "Cash Management" requirements.

#### **RECOMMENDATION**

We recommend that the County develop and implement procedures to ensure that only the immediate cash needs pertaining to the Head Start federal program are drawn down. For costs shared between both federal and state programs, the County should consider utilizing estimates based on matching requirements or other reasonable means to apply consistent treatment for drawdowns.

#### **STATUS**

Implemented

### **HEAD START, CFDA NO. 93.600**

#### **ELIGIBILITY**

#### **OBSERVATION**

While performing testing over the internal controls over eligibility determinations of program participants, it was noted that the department policies identify various internal controls to document eligibility determinations. However, it was noted that the internal controls were not consistently applied. One such control subject to this circumstance was the review of eligibility determinations and case files by the program supervisor. The represented procedure was that each file is periodically reviewed, evidenced by a program supervisor's signature. However, during our testing, it was noted that supervisor's signatures were missing in some cases. As a result, the risk of noncompliance with eligibility requirements is increased.

#### **RECOMMENDATION**

Given that policies and procedures exist, we recommend that the department ensure that caseworkers and program supervisors adhere to these standards. Accountability for compliance with the department's policies and procedures should be maintained and enforced.

#### **STATUS**

Implemented

**HEAD START, CFDA NO. 93.600  
REPORTING**

**OBSERVATION**

As specified in the financial assistance award and ACF program manual, the fiscal officer of the Department may not sign the required SF-269 Financial Status Report, even if this individual compiles the information. During fiscal year 2002-03, the department's Financial Status Reports were signed by the fiscal officer.

**RECOMMENDATION**

We recommend that the department transfer the signatory authority of the SF-269 Financial Status Reports to the Executive Director. Although fiscal personnel compile the financial information, the Financial Status Reports should be reviewed and approved by the fiscal officer prior to review of the Executive Director (or authorized representative outside of the fiscal function).

**STATUS**

Implemented

**FOOD STAMPS CLUSTER, MEDICAID CLUSTER, TANF, AND ADOPTION ASSISTANCE**

**ALLOWABLE COSTS**

**OBSERVATION**

The Fiscal year 2003 grant agreement with the State of California requires the County to submit the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement. The CEC is used by the County to allocate payroll expenditures to various Federal programs within the County's Health Services System (HSS) Department. Payroll hours incurred for specific programs are charged directly to the respective program. However, administrative payroll hours (sick leave, etc) are pooled and allocated to the Federal programs on the basis of direct hours incurred.

The County submits the CEC for program administrative costs to the State of California on a quarterly basis for reimbursement. Caseworkers complete time study forms, which are compiled into a time study summary report that is used to allocate the payroll expenditures to the various federal programs in the CEC. Of the 57 employee time study transactions selected from the quarterly time study reports for testwork, we noted 6 instances whereby the employee's leave-time reported on the Time and Labor Report (TLR) did not agree to the quarterly time study summary reports. The TLR is completed and signed by the employee and reviewed and signed by a supervisor each pay period. As a result of these discrepancies, the ratios used to allocate payroll expenditures to the various Federal programs on the CEC may be inaccurate. Specifically, there are costs that should have been included in the administrative cost pool for allocation but instead were directly applied to Federal programs. The amount of the overall discrepancy to each Federal program is currently not known.

## RECOMMENDATION

We recommend that the County review the current preparation process for the quarterly time summary reports and implement formal reconciliation and review procedures of the TLR and the time study reports in order to ensure the accuracy of the time study summary reports. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

## STATUS

Not Implemented

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Our audit procedures are designed primarily to enable us to form an opinion on the County's compliance with the requirements that are applicable to each of its major federal programs for the year ended June 30, 2004, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time. This report is intended solely for the information and use of the Board of Supervisors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Vavunike, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
March 4, 2005